

*Charter Township of South Haven
Van Buren County, Michigan*

FINANCIAL STATEMENTS

Year ended December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Charter Township of South Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven Michigan, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Township's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven Michigan, as of December 31, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, as listed in the contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of South Haven Michigan's basic financial statements. The combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Siegfried Crandall P.C.

May 23, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is intended as a narrative overview of the Charter Township of South Haven's (the Township) operations over the fiscal year and its financial condition on December 31, 2015. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net position increased by \$29,617 as a result of this year's activities.
- Of the \$3,892,189 total net position reported, \$1,885,443 (48 percent) is available to be used to meet the Township's ongoing obligations to its citizens and customers, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the year was \$738,516, which represents 130 percent of the actual General Fund expenditures.

Overview of the financial statements

The Township's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how government services, like general government, public safety, and public works, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary funds statements provide information about the financial relationships in which the Township acts solely as an agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2015 and 2014 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Township's assets, and liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net position and how it has changed. Net position (the difference between the Township's assets, and liabilities and deferred inflows of resources) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present governmental activities. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, etc.). Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes or to show that it is properly using certain other revenues.

The Township has two kinds of funds:

- *Governmental funds.* The Township's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Fiduciary funds.* These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the Township. The Township is responsible for ensuring that the assets reported in the fiduciary fund are used for their intended purposes. The Township's fiduciary balances are reported in a separate Statement of Fiduciary Assets and Liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$3,892,189. Of this total, \$1,979,499 is invested in capital assets, \$12,715 is restricted for public safety, and \$20,297 is restricted for debt service. The remaining unrestricted net position was \$1,879,678.

*Condensed financial information
Net position*

	<i>Governmental activities</i>	
	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 3,889,931	\$ 4,080,848
Capital assets	2,149,815	2,161,977
Total assets	<u>6,039,746</u>	<u>6,242,825</u>
Other liabilities	305,800	346,346
Long-term debt	1,110,928	1,332,929
Total liabilities	<u>1,416,728</u>	<u>1,679,275</u>
Deferred inflows of resources	<u>730,829</u>	<u>700,978</u>
Net position:		
Net investment in capital assets	1,979,499	1,974,716
Restricted	27,247	35,381
Unrestricted	<u>1,885,443</u>	<u>1,852,475</u>
Total net position	<u>\$ 3,892,189</u>	<u>\$ 3,862,572</u>

Changes in net position

The Township's total revenues are \$1,288,736. Approximately 56 percent of the total comes from taxes, 23 percent from state grants, and 16 percent from charges for services.

The total cost of the Township's programs was \$1,259,119. Approximately 43 percent of the Township's costs relates to the provision of public safety, 21 percent for general government costs, 12 percent for health and welfare, 7 percent for public works, 8 percent for culture and recreation activities, and 6 percent for interest on debt.

*Condensed financial information
Changes in net position*

	<i>Governmental activities</i>	
	<u>2015</u>	<u>2014</u>
Program revenues:		
Charges for services	\$ 208,459	\$ 208,863
Operating grants and contributions	6,214	5,396
General revenues:		
Property taxes	723,203	695,683
State shared revenue	299,283	304,314
Franchise fees	49,451	47,125
Interest and other income	2,126	2,961
	<u>1,288,736</u>	<u>1,264,342</u>
Expenses:		
General government	265,333	307,780
Public safety	544,694	487,144
Public works	88,957	104,141
Health and welfare	152,661	147,028
Community and economic development	34,001	32,185
Culture and recreation	98,308	93,054
Interest	75,165	89,924
	<u>1,259,119</u>	<u>1,261,256</u>
Changes in net position	<u>\$ 29,617</u>	<u>\$ 3,086</u>
Net position, end of year	<u>\$ 3,892,189</u>	<u>\$ 3,862,572</u>

Governmental activities

Governmental activities increased the Township's net position by \$29,617, compared to a \$3,086 increase in the prior year. Most revenue and expense categories were comparable to the prior year. Property tax revenues increased, as there was a slight increase in taxable values. Current year activity reflected decreases in general government expenses, as the Township incurred demolition costs related to dangerous buildings in 2014, and decreased interest expense, reflecting lower outstanding debt balances during 2015 compared to the prior year. The Township saw slight increases in virtually all remaining activities.

Expenses for governmental activities this year were \$1,259,119. After subtracting the direct charges to those who directly benefited from the Township's programs (\$208,459) and operating grants (\$6,214), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,044,446 compared to \$1,046,997 last year, as a result of the changes in revenues and expenses described above.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,673,678, an increase of \$23,941. Of the total fund balances, 44 percent (\$738,516) is unassigned. The remainder of the fund balance consists of nonspendable amounts and restricted amounts. The nonspendable portion includes \$839,284 advanced to the South Haven Township - Casco Township Water and Wastewater Treatment Authority; the restricted portion includes amounts restricted as to purpose (\$12,715 for public safety and \$83,163 for debt service).

The General Fund is the primary operating fund of the Township. At the end of 2015, the total fund balance was \$1,580,790, which includes the nonspendable portion of fund balance, as well as the unassigned fund balance discussed above. The fund balance increased in 2015 by \$40,055, as revenues of \$606,700 exceeded expenditures of \$566,645.

The Fire and Ambulance Fund balance decreased by \$6,067, as the contractual expenditures of \$358,275 exceeded the \$352,208 special millage levied for the Fund's activities. The fund balance at year end totaled \$9,725.

The Utility Contracts Debt Service Fund does not carry a fund balance, as all special assessments collected are then remitted to the South Haven Township - Casco Township Water and Wastewater Treatment Authority for payment of debt service requirements.

General Fund budgetary highlights

Increases in the Township's final budgeted expenditures from the original budget totaled \$34,400 to reflect revised expectations for a variety of expenditure categories. Revenues were \$55,693 more than budgeted, while expenditures were \$16,228 less than the amounts appropriated, resulting in a \$71,921 positive budget variance. The largest negative expenditure variance, where expenditures were \$12,859 more than budgeted, was associated with public safety expenditures due to increased building inspection activity. The increase in fund balance was \$40,055 for the year, compared to a budgeted \$31,866 decrease.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2015, amounts to \$2,149,815 (net of accumulated depreciation). This investment includes several different types of assets, including land, buildings, equipment, and the Township's share of road costs. The decrease in the Township's net investment in capital assets for the current year consisted of a road infrastructure addition, at a cost of \$33,971, and a decrease of \$46,133 related to depreciation.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Township had \$1,110,928 total long-term debt outstanding, which represents \$695,612 in assessments being collected for the payment of four water and sewer bonds issued by the South Haven Township - Casco Township Water and Wastewater Treatment Authority (the Authority) and related customer contracts, \$245,000 in bonds payable for a water system extension, and \$170,316 due on a note used to finance a portion of a 2008 park land acquisition.

The Township pays amounts collected on assessments to the Authority. The Authority then makes bond payments when due. The Township is contingently liable for \$8,285,668 of outstanding water and sewer system bonds payable in excess of the amounts due from collections of current special assessments and contracts on properties within the Township. The Township has pledged its full faith and credit toward the total amount of the debt and anticipates that additional future assessments, combined with other customer charges, will cover the contract liabilities. Cumulatively, the Township has advanced \$832,429 to cover required debt service payments in excess of amounts available to the Authority. No advances were required during 2015.

More detailed information about the Township's long-term liabilities is presented in Note 6 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Slight increases in property taxes and state revenues are expected in 2016, resulting in a small increase in total revenues. Certain costs, for example, police and fire protection services, are likely to increase slightly. The General Fund's 2016 fund balance is expected to remain stable. The Township plans to maintain all ongoing programs for 2016 at similar levels.

Revenues and expenditures in most of the other governmental funds are approximately equal each year. These funds record approved tax levies for specific purposes, including police, fire and ambulance, library, hospital, and debt service costs, which are paid to the appropriate entities annually. The special millage rate has been set to cover anticipated public safety expenditures, with increases in tax revenues offsetting cost increases for these services.

CONTACTING THE TOWNSHIP'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Charles R. Stein, Jr., Township Supervisor
Charter Township of South Haven
09761 Blue Star Memorial Highway
South Haven, MI 49090

Phone: (269) 637-3305

BASIC FINANCIAL STATEMENTS

Charter Township of South Haven

STATEMENT OF NET POSITION

December 31, 2015

	<u><i>Governmental activities</i></u>
ASSETS	
Current assets:	
Cash	\$ 861,817
Receivables	920,486
Prepaid expenses	<u>16,322</u>
Total current assets	<u>1,798,625</u>
Noncurrent assets:	
Receivables	2,091,306
Capital assets not being depreciated - land	1,836,843
Capital assets, net of accumulated depreciation	<u>312,972</u>
Total noncurrent assets	<u>4,241,121</u>
Total assets	<u>6,039,746</u>
LIABILITIES	
Current liabilities:	
Payables	305,800
Current portion of long-term obligations	<u>209,095</u>
Total current liabilities	514,895
Noncurrent liabilities - noncurrent portion of long-term obligations	<u>901,833</u>
Total liabilities	<u>1,416,728</u>
DEFERRED INFLOWS OF RESOURCES	
Property tax revenues levied for the subsequent year	170,316
	<u>730,829</u>
NET POSITION	
Net investment in capital assets	1,979,499
Restricted for:	
Public safety	12,715
Debt service	14,532
Unrestricted	<u>1,885,443</u>
Total net position	<u>\$ 3,892,189</u>

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2015

	<u>Program revenues</u>		<i>Net (expenses) revenues and change in net position</i>	
	<u>Expenses</u>	<u>Charges for services</u>		<u>Operating grants and contributions</u>
Functions/Programs				
Governmental activities:				
General government	\$ 265,333	\$ 83,203	\$ -	\$ (182,130)
Public safety	514,527	48,621	2,573	(463,333)
Public works	119,124	4,463	3,641	(111,020)
Health and welfare	152,661	-	-	(152,661)
Community and economic development	34,001	8,265	-	(25,736)
Recreation and culture	98,308	-	-	(98,308)
Interest on long-term debt	<u>75,165</u>	<u>63,907</u>	<u>-</u>	<u>(11,258)</u>
Total governmental activities	<u>\$ 1,259,119</u>	<u>\$ 208,459</u>	<u>\$ 6,214</u>	<u>(1,044,446)</u>
General revenues:				
Property taxes				723,203
State shared revenue				299,283
Franchise fees				49,451
Unrestricted interest				<u>2,126</u>
Total general revenues				<u>1,074,063</u>
Change in net position				29,617
Net position - beginning				<u>3,862,572</u>
Net position - ending				<u>\$ 3,892,189</u>

See notes to financial statements

Charter Township of South Haven

BALANCE SHEET - governmental funds

December 31, 2015

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Utility Contracts Debt Service</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
ASSETS					
Cash	\$ 672,440	\$ 97,709	\$ 22,787	\$ 68,881	\$ 861,817
Receivables	1,338,019	276,459	896,319	500,995	3,011,792
Prepaid items	-	-	-	4,378	4,378
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,010,459</u>	<u>\$ 374,168</u>	<u>\$ 919,106</u>	<u>\$ 574,254</u>	<u>\$ 3,877,987</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities - payables	<u>\$ 49,636</u>	<u>\$ -</u>	<u>\$ 219,868</u>	<u>\$ 30,531</u>	<u>\$ 300,035</u>
Deferred inflows of resources:					
Property tax revenues levied for the subsequent year	84,334	364,443	-	282,052	730,829
Unavailable special assessments	95,570	-	695,612	177,548	968,730
Unavailable interest revenue	200,129	-	3,626	960	204,715
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources	<u>380,033</u>	<u>364,443</u>	<u>699,238</u>	<u>460,560</u>	<u>1,904,274</u>
Fund balances:					
Nonspendable:					
Advance to water and sewer joint venture	839,284	-	-	-	839,284
Restricted for:					
Public safety	2,990	9,725	-	-	12,715
Debt service	-	-	-	83,163	83,163
Unassigned	738,516	-	-	-	738,516
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,580,790</u>	<u>9,725</u>	<u>-</u>	<u>83,163</u>	<u>1,673,678</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,010,459</u>	<u>\$ 374,168</u>	<u>\$ 919,106</u>	<u>\$ 574,254</u>	<u>\$ 3,877,987</u>

See notes to financial statements

BALANCE SHEET - governmental funds (Continued)

December 31, 2015

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds (page 13)	\$ 1,673,678
Amounts reported for <i>governmental activities</i> in the statement of net position (page 11) are different because:	
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds	2,149,815
Interest receivable is not available to pay for current period expenditures and, therefore, is deferred in the funds.	204,715
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	968,730
Prepaid items are not available as a current financial resource and, therefore, are not recognized in the funds.	11,944
Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.	(5,765)
Long-term liabilities, including contracts, notes, and bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	<u>(1,110,928)</u>
Net position of <i>governmental activities</i>	<u>\$ 3,892,189</u>

Charter Township of South Haven

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND

BALANCES - governmental funds

Year ended December 31, 2015

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Utility Contracts Debt Service</u>	<u>Nonmajor funds</u>	<u>Total governmental funds</u>
REVENUES					
Taxes	\$ 161,486	\$ 352,208	\$ -	\$ 267,377	\$ 781,071
Licenses and permits	87,801	-	-	-	87,801
State grants	305,497	-	-	-	305,497
Charges for services	14,089	-	-	-	14,089
Interest and rentals	5,286	-	52,247	12,680	70,213
Other	32,541	-	221,684	17,096	271,321
	<u>606,700</u>	<u>352,208</u>	<u>273,931</u>	<u>297,153</u>	<u>1,529,992</u>
Total revenues					
EXPENDITURES					
Current:					
General government	252,913	-	-	-	252,913
Public safety	123,537	286,742	-	104,248	514,527
Public works	117,282	-	-	-	117,282
Health and welfare	-	71,533	-	81,128	152,661
Community and economic development	34,001	-	-	-	34,001
Culture and recreation	12,766	-	-	82,001	94,767
Debt service:					
Principal	16,945	-	221,684	25,000	263,629
Interest	9,201	-	52,247	14,823	76,271
	<u>566,645</u>	<u>358,275</u>	<u>273,931</u>	<u>307,200</u>	<u>1,506,051</u>
Total expenditures					
NET CHANGES IN FUND BALANCES	40,055	(6,067)	-	(10,047)	23,941
FUND BALANCES - BEGINNING	<u>1,540,735</u>	<u>15,792</u>	<u>-</u>	<u>93,210</u>	<u>1,649,737</u>
FUND BALANCES - ENDING	<u>\$ 1,580,790</u>	<u>\$ 9,725</u>	<u>\$ -</u>	<u>\$ 83,163</u>	<u>\$ 1,673,678</u>

See notes to financial statements

Charter Township of South Haven

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2015

Reconciliation of the statement of revenues, expenditures, and
changes in fund balances to the statement of activities:

Net change in fund balance - total governmental funds (page 15)	\$ 23,941
Amounts reported for <i>governmental activities</i> in the statement of activities (page 12) are different because:	
Capital assets:	
Assets acquired	33,971
Provision for depreciation	(46,133)
Long-term debt:	
Increase in contract payable	(41,628)
Principal reduction	263,629
Changes in deferred inflows of resources:	
Net decrease in unavailable special assessments	(205,371)
Net increase in unavailable interest revenue	5,743
Changes in other assets/liabilities:	
Net decrease in prepaid items	(5,641)
Net decrease in interest payable	1,106
Change in net position of <i>governmental activities</i>	<u>\$ 29,617</u>

See notes to financial statements

Charter Township of South Haven

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - Agency Fund

December 31, 2015

ASSETS

Cash \$ 155,339

LIABILITIES

Due to other governmental units \$ 155,339

See notes to financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Charter Township of South Haven, Michigan (the Township), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity*, these financial statements present only the Township (the primary government), located in Van Buren County. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency and existence of a financial benefit or burden, and whether the financial statements would be misleading if data were not included. Management of the Township has determined that no other entity qualifies for inclusion as a component unit.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Township. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenues of the current period. All other revenue items are considered to be measurable only when cash is received by the Township.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental funds:

The General Fund is the Township’s primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire and Ambulance Fund accounts for the operating contributions made to the joint venture described in Note 9.

The Utility Contracts Debt Service Fund accounts for the issuance and payment of debt for water and sewer improvements.

The Township also reports fiduciary funds, which account for assets held by the Township as an agent for individuals, private organizations, and other governments. The Township currently reports a single fiduciary fund (Agency Fund). Fiduciary funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Assets, liabilities, deferred inflows of resources, and net position or equity:

Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Receivables - In general, outstanding balances between funds are reported as “due to/from other funds.” No allowance for uncollectible accounts has been recorded, as the Township considers all receivables to be fully collectible.

Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets - Capital assets, which include property, equipment, and infrastructure assets (e.g., shared road costs and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Roads	30 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, liabilities, deferred inflows of resources, and net position or equity (continued):

Deferred inflows of resources - The statement of net position and the governmental funds balance sheet include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. The Township has three items that are included in this category: property taxes, special assessments, and interest revenues. Property tax revenue, which is levied to finance the following period's budget, is deferred and recognized as an inflow of resources in the period that it was intended to finance. Special assessments and interest revenues, which are recognized as they become available (collected within 60 days after the end of the Township's fiscal year), are deferred and recognized as an inflow of resources in the period that they become available.

Net position - Net position represents the difference between assets, and liabilities and deferred inflows of resources. The Township reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets, and increases by balances of resources related to those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Township's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Township.

Net position flow assumption - Sometimes, the Township will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Township's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report restricted fund balance when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. Unassigned fund balance is the residual classification for the General Fund. When the Township incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Township's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each December 1 (lien date) on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31. Property taxes are considered delinquent on March 1 of the following year, at which time interest and penalties are assessed.

Although the Township's 2014 ad valorem tax is levied and collectible on December 1, 2014, it is Township's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for governmental funds. The budget document presents information by fund, function, and activity. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth budget variances:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Elections	\$ -	\$ 1,304	\$ 1,304
	Public safety	Building inspections	25,500	38,360	12,860
	Public works	Drains at large	6,903	11,464	4,561
		Transfer station	26,600	31,930	5,330
		Airport authority	11,477	16,034	4,557
Fire and Ambulance	Public safety	Fire protection	282,117	286,742	4,625

NOTE 3 - CASH

The Township’s cash balances at December 31, 2015, were as follows:

	<u>Governmental activities</u>	<u>Fiduciary activity</u>	<u>Total</u>
Cash	\$ 861,817	\$ 155,339	\$ 1,017,156

Deposits - State statutes and the Township’s investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. The Township’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2015, \$710,815 of the Township’s bank balances of \$1,107,669 was exposed to custodial credit risk because it was uninsured and uncollateralized.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES

Receivables, which are considered fully collectible, as of December 31, 2015, for the Township's individual major and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter-governmental</i>	<i>Interest</i>	<i>Totals</i>
General	\$ 24,659	\$ 64,638	\$ 105,830	\$ 1,139,213	\$ 3,679	\$ 1,338,019
Fire and Ambulance	-	276,459	-	-	-	276,459
Contracts Debt	-	-	848,675	-	47,644	896,319
Nonmajor funds	-	214,574	192,024	83,163	11,234	500,995
Totals	\$ 24,659	\$ 555,671	\$ 1,146,529	\$ 1,222,376	\$ 62,557	\$ 3,011,792
Noncurrent portion	\$ -	\$ -	\$ 968,730	\$ 1,118,897	\$ 3,679	\$ 2,091,306

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 1,836,843	\$ -	\$ -	\$ 1,836,843
Capital assets being depreciated:				
Land improvements	130,967	-	-	130,967
Buildings and improvements	178,640	-	-	178,640
Equipment	93,677	-	-	93,677
Infrastructure - shared road costs	293,156	33,971	-	327,127
Subtotal	696,440	33,971	-	730,411
Less accumulated depreciation for:				
Land improvements	(47,260)	(6,548)	-	(53,808)
Buildings and improvements	(169,573)	(3,972)	-	(173,545)
Equipment	(75,837)	(4,933)	-	(80,770)
Infrastructure - shared road costs	(78,636)	(30,680)	-	(109,316)
Subtotal	(371,306)	(46,133)	-	(417,439)
Total capital assets being depreciated, net	325,134	(12,162)	-	312,972
Governmental activities capital assets, net	\$ 2,161,977	\$ (12,162)	\$ -	\$ 2,149,815

From time to time, the Township records capitalizable costs, within current expenditure functions, for purposes of administrative control. In 2015, the Township recorded capitalizable costs of \$33,971 within public works expenditures in the statement of revenues, expenditures, and changes in fund balances - governmental funds (page 15).

NOTE 5 - CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 12,425
Public works	30,167
Culture and recreation	<u>3,541</u>
 Total	 <u>\$ 46,133</u>

NOTE 6 - LONG-TERM LIABILITIES

Long-term debt at December 31, 2015, is comprised of the following individual issues:

Note payable:	
\$273,000 Note payable (PA 99), due in annual installments through 2024; interest at approximately 5.3%	<u>\$ 170,316</u>
Contracts payable:	
\$848,405 1995 and 1997 Water and sewer assessments, due to Allegan County in annual installments through 2017; interest at approximately 6.2%	9,069
\$1,418,028 1998 Water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8%	97,481
\$1,831,295 1999 Water and sewer assessments, due to Van Buren County in annual installments through 2020; interest at approximately 6.3%	181,195
\$1,175,297 2000 Water and sewer assessments, due to Van Buren County in annual installments through 2020; interest at approximately 6.3%	160,230
\$532,940 Contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0%	<u>247,637</u>
Total contracts payable	<u>695,612</u>
Bonds payable:	
\$435,000 2006 Special assessment bonds, due in annual installments of \$10,000 to \$25,000 through 2026; interest at approximately 5.49%	<u>245,000</u>
Total long-term liabilities	<u>\$ 1,110,928</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM LIABILITIES (Continued)

Long-term liability activity for the year ended December 31, 2015, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Note payable - 2008	\$ 187,261	\$ -	\$ (16,945)	\$ 170,316	\$ 17,837
Contracts payable - 1997	18,677	-	(9,608)	9,069	4,633
Contracts payable - 1998	147,463	-	(49,982)	97,481	48,741
Contracts payable - 1999	248,052	-	(66,857)	181,195	45,299
Contracts payable - 2000	204,220	-	(43,990)	160,230	32,046
Contracts payable - unbonded	257,256	41,628	(51,247)	247,637	35,539
Bonds payable - 2006	270,000	-	(25,000)	245,000	25,000
Total long term liabilities	\$ 1,332,929	\$ 41,628	\$ (263,629)	\$ 1,110,928	\$ 209,095

Debt service requirements at December 31, 2015, were as follows:

	<i>Principal</i>	<i>Interest</i>
Year ended December 31:		
2016	\$ 209,095	\$ 64,036
2017	209,836	51,822
2018	157,648	39,576
2019	159,087	29,987
2020	114,484	21,142
2021 - 2025	240,778	34,366
2026	20,000	1,098
Totals	\$ 1,110,928	\$ 242,027

The Township is contingently liable for \$8,285,668 of outstanding water and sewer system contracts payable in excess of the amounts to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

NOTE 7 - PAYABLES

Payables as of December 31, 2015, for the Township's individual major and nonmajor funds, in the aggregate, were as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Payroll</i>	<i>Inter- governmental</i>	<i>Totals</i>
General	\$ 11,479	\$ 3,140	\$ 35,017	\$ 49,636
Utility Contracts Debt Service	-	-	219,868	219,868
Nonmajor funds	-	-	30,351	30,351
	\$ 11,479	\$ 3,140	\$ 285,236	\$ 299,855

NOTE 8 - PROPERTY TAXES

The 2014 taxable valuation of the Township approximated \$136,635,000, on which ad valorem taxes levied consisted of 0.5604 mills for operating purposes, .7500 mills for police, 2.6100 mills for fire and ambulance services, 0.5900 mills for library services, 0.2500 mills for senior services, and 0.3338 mills for hospital operations, raising approximately \$77,000 for operating purposes, \$102,000 for police, \$346,000 for fire and ambulance services, \$81,000 for library services, \$34,000 for senior services, and \$46,000 for hospital operations. These amounts are recognized in the respective fund financial statements as property tax revenue.

The 2015 taxable valuation of the Township approximated \$143,799,000, on which ad valorem taxes levied consisted of 0.5604 mills for operating purposes, .7500 mills for police, 2.6300 mills for fire and ambulance services, 0.5900 mills for library services, 0.2500 mills for senior services, and 0.3338 mills for hospital operations, raising approximately \$81,000 for operating purposes, \$108,000 for police, \$357,000 for fire and ambulance services, \$85,000 for library services, \$36,000 for senior services, and \$48,000 for hospital operations. These amounts are recognized in the respective fund financial statements as deferred inflows of resources, based upon the period for which the proceeds are budgeted and will be made available for the financing of operations.

NOTE 9 - JOINT VENTURES

The Township, together with the Township of Casco, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$839,284 to cover certain costs of the Authority. The Township anticipates reimbursement in the future, including \$196,450 in interest accrued on the advances.

The Township has joined the City of South Haven and the Townships of Casco and Geneva in establishing a joint emergency services authority (the Emergency Authority) to provide fire and ambulance services in the Authority's area of operation, which includes the Charter Township of South Haven. The operations of the Authority are financed by taxes levied annually within the participating units of government. The Township expended \$283,848 for services provided by the Emergency Authority in 2015.

The Township has joined the Cities of South Haven and Bangor and the Townships of Casco, Geneva, and Covert in establishing a joint regional airport authority (the Airport Authority) to provide airfield services in the Airport Authority's area of operation, which includes the Charter Township of South Haven. The operations of the Airport Authority are financed by annual contributions within the participating units of government, as well as hangar rentals and fuel sales. During the year ended December 31, 2015, the Township contributed \$16,034 toward the Airport Authority's operations.

There is no equity interest by any participating unit in the joint ventures. Except as disclosed in Note 6 regarding the contingent liability for outstanding water and sewer contacts payable, the Township is unaware of any indication that the joint ventures are accumulating significant financial resources or are experiencing fiscal stress that may cause an additional financial benefit or burden on the Township in the near future.

Separate audited financial statements for the above joint ventures are available at the Township offices.

NOTE 10 - RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the South Haven Charter Township Group Pension Plan, a defined contribution pension plan, which is administered by a third-party administrator. The plan covers all elected officials, along with the Deputy Clerk, Deputy Treasurer, and Deputy Supervisor, who are eligible to participate from the date they are elected or appointed to office.

Benefit terms, including contribution requirements, for the Plan are established, and may be amended, by the Township Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate as described above. The Township contributes 5% of each qualified employee’s total earnings or \$300, whichever is more, to the plan. Employees are permitted to make voluntary contributions to the Plan, up to applicable Internal Revenue Code limits. For the year ended December 31, 2015, the Township and eligible employees made contributions of \$5,422 and \$ -0-, respectively. At December 31, 2015, the Township reported no accrued liability as part of the contributions to the plan.

The Township’s contributions for each employee (and investment earnings allocated to the employee’s account) are fully vested immediately.

The Township is not a trustee of the defined contribution pension plan, nor is the Township responsible for investment management of the pension plan assets. Accordingly, plan assets, and changes therein, are not reported in these financial statements.

NOTE 12 - CONSTRUCTION CODE ACT

A summary of construction code enforcement transactions for the year ended December 31, 2015, is as follows:

Revenues	\$ 38,350
Expenses	<u>(38,360)</u>
Deficiency of revenues over expenses	<u>\$ (10)</u>
Accumulated excess revenues over expenses	<u>\$ 2,990</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of South Haven

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 140,107	\$ 140,107	\$ 161,486	\$ 21,379
Licenses and permits	71,500	71,500	87,801	16,301
State grants	308,271	308,271	305,497	(2,774)
Charges for services	16,700	16,700	14,089	(2,611)
Interest and rentals	6,110	6,110	5,286	(824)
Other	8,319	8,319	32,541	24,222
	<u>551,007</u>	<u>551,007</u>	<u>606,700</u>	<u>55,693</u>
Total revenues				
EXPENDITURES				
General government:				
Legislative	5,000	5,000	4,991	9
Supervisor	40,026	40,026	37,559	2,467
Elections	-	-	1,304	(1,304)
Assessor	28,790	28,790	26,287	2,503
Clerk	22,166	22,166	21,194	972
Board of review	2,550	2,550	2,425	125
Treasurer	28,872	28,872	27,256	1,616
Hall and grounds	66,015	66,015	39,161	26,854
Other	66,397	98,897	92,736	6,161
	<u>259,816</u>	<u>292,316</u>	<u>252,913</u>	<u>39,403</u>
Total general government				
Public safety:				
Police	85,178	85,178	85,177	1
Building inspections	25,500	25,500	38,360	(12,860)
	<u>110,678</u>	<u>110,678</u>	<u>123,537</u>	<u>(12,859)</u>
Total public safety				
Public works:				
Highways and streets	53,000	53,000	47,886	5,114
Engineering	-	-	340	(340)
Drains at large	6,903	6,903	11,464	(4,561)
Street lights	10,200	10,200	9,628	572
Transfer station	26,600	26,600	31,930	(5,330)
Airport authority	11,477	11,477	16,034	(4,557)
	<u>108,180</u>	<u>108,180</u>	<u>117,282</u>	<u>(9,102)</u>
Total public works				

Charter Township of South Haven

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	\$ 33,587	\$ 33,587	\$ 34,001	\$ (414)
Culture and recreation - parks and recreation	10,066	11,966	12,766	(800)
Debt service:				
Principal	16,945	16,945	16,945	-
Interest	9,201	9,201	9,201	-
Total expenditures	<u>548,473</u>	<u>582,873</u>	<u>566,645</u>	<u>16,228</u>
NET CHANGES IN FUND BALANCES	2,534	(31,866)	40,055	71,921
FUND BALANCES - BEGINNING	<u>1,540,735</u>	<u>1,540,735</u>	<u>1,540,735</u>	-
FUND BALANCES - ENDING	<u>\$ 1,543,269</u>	<u>\$ 1,508,869</u>	<u>\$ 1,580,790</u>	<u>\$ 71,921</u>

Charter Township of South Haven

BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund

Year ended December 31, 2015

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes	\$ 352,208	\$ 352,208	\$ 352,208	\$ -
EXPENDITURES				
Public safety - fire protection	282,117	282,117	286,742	(4,625)
Health and welfare - ambulance	71,533	71,533	71,533	-
Total expenditures	<u>353,650</u>	<u>353,650</u>	<u>358,275</u>	<u>(4,625)</u>
NET CHANGES IN FUND BALANCES	(1,442)	(1,442)	(6,067)	(4,625)
FUND BALANCES - BEGINNING	<u>15,792</u>	<u>15,792</u>	<u>15,792</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 14,350</u>	<u>\$ 14,350</u>	<u>\$ 9,725</u>	<u>\$ (4,625)</u>

SUPPLEMENTARY INFORMATION

Charter Township of South Haven

COMBINING BALANCE SHEET - nonmajor governmental funds

December 31, 2015

	<i>Special revenue funds</i>					<i>Totals</i>
	<i>Library</i>	<i>Hospital</i>	<i>Police</i>	<i>Seniors</i>	<i>Water Debt</i>	
ASSETS						
Cash	\$ 20,695	\$ 11,707	\$ 26,308	\$ 4,390	\$ 5,781	\$ 68,881
Receivables	65,808	37,228	83,658	27,880	286,421	500,995
Prepaid items	-	-	-	4,378	-	4,378
Total assets	<u>\$ 86,503</u>	<u>\$ 48,935</u>	<u>\$ 109,966</u>	<u>\$ 36,648</u>	<u>\$ 292,202</u>	<u>\$ 574,254</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities - payables	\$ -	\$ -	\$ -	\$ -	\$ 30,531	\$ 30,531
Deferred inflows of resources:						
Property tax revenues levied for the subsequent year	86,503	48,935	109,966	36,648	-	282,052
Unavailable special assessment revenue	-	-	-	-	177,548	177,548
Unavailable interest revenue	-	-	-	-	960	960
Total deferred inflows of resources	<u>86,503</u>	<u>48,935</u>	<u>109,966</u>	<u>36,648</u>	<u>178,508</u>	<u>460,560</u>
Fund balances - restricted for debt service	-	-	-	-	83,163	83,163
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 86,503</u>	<u>\$ 48,935</u>	<u>\$ 109,966</u>	<u>\$ 36,648</u>	<u>\$ 292,202</u>	<u>\$ 574,254</u>

Charter Township of South Haven

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2015

	<i>Special revenue funds</i>				<i>Water Debt</i>	<i>Totals</i>
	<i>Library</i>	<i>Hospital</i>	<i>Police</i>	<i>Seniors</i>		
REVENUES						
Property taxes	\$ 82,001	\$ 46,388	\$ 104,248	\$ 34,740	\$ -	\$ 267,377
Interest	-	-	-	-	12,680	12,680
Other	-	-	-	-	17,096	17,096
	<u>82,001</u>	<u>46,388</u>	<u>104,248</u>	<u>34,740</u>	<u>29,776</u>	<u>297,153</u>
Total revenues						
EXPENDITURES						
Current:						
Public safety	-	-	104,248	-	-	104,248
Health and welfare	-	46,388	-	34,740	-	81,128
Culture and recreation	82,001	-	-	-	-	82,001
Debt service:						
Principal	-	-	-	-	25,000	25,000
Interest	-	-	-	-	14,823	14,823
	<u>82,001</u>	<u>46,388</u>	<u>104,248</u>	<u>34,740</u>	<u>39,823</u>	<u>307,200</u>
Total expenditures						
NET CHANGES IN FUND BALANCES	-	-	-	-	(10,047)	(10,047)
FUND BALANCES - BEGINNING	-	-	-	-	93,210	93,210
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,163</u>	<u>\$ 83,163</u>

May 23, 2016

To the Board of Trustees
Charter Township of South Haven

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven for the year ended December 31, 2015. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 10, 2015. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Charter Township of South Haven are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015. We noted no transactions entered into by the Charter Township of South Haven during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was capital asset depreciation:

Management's estimate of the capital asset depreciation is based on the estimated useful lives of the Township's capital assets. We evaluated the key factors and assumptions used to develop the capital asset depreciation in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. The material misstatements detected as a result of audit procedures and corrected by management are described below, under **Communication Regarding Internal Control**.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 23, 2016.

Other Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Charter Township of South Haven's auditor. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis and the budgetary comparison schedules, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining balance sheet and combining statement of revenues, expenditures, and changes in fund balances for the nonmajor governmental funds (supplementary information), which accompany the financial statements but are not RSI. With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Communication Regarding Internal Control

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of South Haven's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we have identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Charter Township of South Haven's internal control to be a material weakness:

Material audit adjustments and financial statement preparation:

Criteria: All governmental units in Michigan are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related notes to the financial statements (i.e. external financial reporting).

Condition: We identified and proposed several material audit adjustments that management reviewed and approved. Adjustments were recorded to:

- Correct beginning fund balance
- Adjust receivable accruals
- Adjust payable accruals
- Correct property tax and assessment revenues, receivables, and deferred inflow balances
- Convert the fund-based data necessary to prepare the government-wide financial statements.

As is the case with many small and medium-sized governmental units, the Township has historically relied on its independent external auditor to assist with the preparation of the financial statements, the related notes, and the management's discussion and analysis as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditor, who cannot, by definition, be considered part of the Township's internal controls. Having the auditor draft the annual financial statements is allowable under current auditing standards and ethical guidelines and may be the most efficient and effective method for preparation of the Township's financial statements. However, when an entity (on its own) lacks the ability to produce financial statements that conform to GAAP, or when material audit adjustments are identified by the auditor, auditing standards require that such conditions be communicated in writing as material weaknesses. This is a repeat finding.

Cause: This condition was caused by the Township's decision to outsource the preparation of its annual financial statements to the external auditor rather than incur the costs of obtaining the necessary training and expertise required for the Township to perform this task internally because outsourcing the task is considered more cost effective.

Effect: The Township's accounting records were initially misstated by amounts material to the financial statements. In addition, the Township lacks complete internal controls over the preparation of its financial statements in accordance with GAAP, and, instead, relies, at least in part, on assistance from its external auditor for assistance with this task.

Auditor's Recommendation: We recommend that management continue to monitor the relative costs and benefits of securing the internal or other external resources necessary to develop material adjustments and prepare a draft of the Township's annual financial statements versus contracting with its auditor for these services.

Management Response: Management has made an ongoing evaluation of the respective costs and benefits of obtaining internal or external resources, specifically for the preparation of financial statements, and has determined that the additional benefits derived from implementing such a system would not outweigh the costs incurred to do so. Management will continue to review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

We did not audit the Charter Township of South Haven's response to the internal control finding described above and, accordingly, we express no opinion on it.

Restriction on Use

This information is intended solely for the use of the Board of Trustees of the Charter Township of South Haven and the State of Michigan Department of Treasury and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.